REPORT OF THE INQUIRY INTO

WORKERS' COMPENSATION ASSESSMENTS

IN THE LOGGING INDUSTRY

CO-CHAIRMEN

JOHN L. BIDDELL
CLIFFORD PILKEY

NOVEMBER, 1988

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REPORT OF THE INQUIRY INTO WORKERS' COMPENSATION ASSESSMENTS IN THE LOGGING INDUSTRY

PREFACE

The Inquiry into assessments in the logging industry was commissioned by the Board of Directors of the Workers' Compensation Board on September 3, 1987, with the following terms:

> "that an inquiry be commissioned, pursuant to section 68(2) of the Workers' Compensation Act, to examine into and to provide the Board with advice on significant assessment rate issues in the logging industry and whether the current assessment rate strategy for the industry needs to be adjusted.

Further to these terms of reference, the Chairman of the Board, Dr. Robert Elgie, appointed John L. Biddell, formerly a partner of Clarkson Gordon and Clifford Pilkey, formerly President of the Ontario Federation of Labour to be co-chairmen of the Inquiry.

Our Inquiry invited submissions through correspondence with industry groups and in advertisements in newspapers throughout Ontario. We received numerous submissions, oral and written, from the industry, including submissions from the Ontario Forest Industries Association, the Ontario

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Lumber Manufacturers' Association, the Canadian Paperworkers Union, the Ontario Federation of Labour, the Lumber and Sawmill Workers Union, numerous large and small employers, the Forest Products Accident Prevention Association, District Safety Associations, the Office of the Worker Advisor in Thunder Bay, and a Member of the Legislature. In addition, we attended two field trips to observe logging operations in Northern Ontario.

Informal public hearings were held in a number of centres in Northern Ontario, in Thunder Bay, Kenora, Dryden, Fort Francis, Sault St. Marie, Kapuskasing and Barry's Bay.

We have consulted widely with other governmental agencies, including the Ministry of Labour, Ministry of Natural Resources, Ministry of Transportation, Ministry of Northern Development, and the Industrial Restructuring Commission.

We met with many members of the staff of the Workers' Compensation Board and were provided with open access to the Chairman and President.

We are grateful to all those who took the time to make submissions, to attend the hearings or otherwise meet with us.

The inquiry was established as a result of three primary concerns:

1. The escalating rate of assessment in the logging industry, and the impact of experience rating was giving rise to serious concerns that it was jeopardising the financial viability of small scale enterprises within the industry, potentially threatening the social and economic base of many rural communities which are totally or partially dependent upon the industry.

2. Trends and changes in the structure of the industry, and particularly, the increased propensity of contracting out woodlands work by the mills and primary license holders gave rise to concerns that the present assessment system reflected an inequitable basis for distribution of the costs of compensation for personal injury accidents which occur in the industry.

3. The combination of the high assessment rate for the industry, and the trend towards placing the burden of assessment payments on many small enterprises was giving rise to increasing use of questionable tactics to avoid or minimise such payments. There was concern that such tactics were operating to substantially reduce the pool of resources for the payment of accident costs and removing from the Workers' Compensation system persons who were clearly exposed to the risks of the industry.

The primary focus of the inquiry was on the rate of assessment in the logging industry and the assessment policies of the Board particularly affecting that

industry. We fully recognize, at the outset, that any proposals to improve revenue collection will only partially accomplish the desired effect of reducing the assessment rate. Of even greater importance, are the efforts which must be made to reduce the incidence of accidents in the industry.

In the course of the hearings, concerns were expressed from numerous sources about the costs of Workers' Compensation claims and the administration of these claims by the Board. The issues raised included concerns about the level of benefits, the payment of compensation for non-work related injuries, and the difficulty of obtaining medical rehabilitation services in northern Ontario.

Such matters are outside the terms of the reference of this inquiry, and we will not be examining them in this report. Nonetheless, we were impressed by the number of such submissions, and with the depth and sincerity with which they were felt. We have communicated the substance of those concerns to the Chairman of the Workers' Compensation Board, and, while the merits of these concerns are outside the scope of this inquiry, we have been assured that they will be taken seriously and looked into by the Board.

THE LOGGING INDUSTRY

The Structure of the Logging Industry

The forestry sector is of significance to the overall economy of Ontario, and vitally important to many small rural communities throughout Ontario, whose economy is partially or totally dependent upon it. According to Statistics Canada, the forestry sector in Ontario comprised 1,686 establishments employing 72,679 workers, with wages and salaries in excess of 2 billion dollars and with close to 9.1 billion dollars in shipments for the year 1985. [1]

The forestry sector is composed of three major industrial groupings, logging, i.e. harvesting the trees, the manufacture of lumber, and pulp and paper and their related products. Our terms of reference are limited to the logging industry.

At the outset of our Inquiry it was necessary for us to examine the present structure and scope of the logging industry.

From the standpoint of the WCB, the industry is deemed to consist of all "firms" (sole proprietorships, partnerships and corporations) which engage in

[1] Statistics Canada Catalogue No. 36-204 and 1985 Census of Manufacturers - Special Compilation.

"logging". "Logging" is deemed to include:

building roads into forest lands;

cutting down trees, delimbing them and skidding (hauling them to the roadside;

slashing (cutting the trees into merchantable lengths);

hauling the logs to the processing sawmills or pulp mills;

repairing the equipment used in conducting the logging operations.

The number of firms active in logging in Ontario has substantially increased in recent years. Statistics Canada recorded 246 active establishments in 1977. In 1986, however, the WCB had 1330 active firms registered in its experience rating system for the logging industry. There were a further 637 firm accounts registered with the WCB which were either not open for the full year or which paid a nominal amount of premiums in the year, and therefore were not included in the total of 1330 active firms in the experience rating program. A profile of these active firms in 1986 indicating the number of their employees is of great significance.

Active firms registered with the WCB

in the Logging Industry in 1986

Number of employees	Number of firms
0-2	1069
3-5	120
6-10	58
11-20	37
21-50	28
51-100	5
101-200	6
201-500	5
501-1000	1
over 1000	1
	1330

As indicated, the logging industry in Ontario has become characterized by a major predominance of very small owner-operated firms. While the total number of persons actively engaged in logging work has declined to some extent (basically because of increasing mechanization of the Industry) a very large number of workers who were formerly employees of larger logging firms are now owner operators of their own small firm.

While these firms are independent legal entities, almost every individual involved is a hands on worker in the harvesting operations. Moreover, almost all of these workers are owners or partners or executive officers of their firms and therefore entitled to opt out of the WCB system.

This fragmentation of the logging industry in recent years has had profound implications for the WCB. It is the overriding factor which has created the need for our Inquiry.

Management of the Ontario Forest Resources

In 1986, the total area of forested lands under harvest in Ontario was just under 218 thousand hectares. Approximately 87% of the total, or 190,000 hectares occurred on Crown land. 13% or 8,000 hectares took place on private lands. The ratio of private land to Crown land is substantially greater in southern Ontario. During the past 15 years, the production of roundwood from private lands as a percentage of total wood harvested has fluctuated from a reported high of 26% in 1965 to 10% in 1977. In 1986 it was about 17%.

The right to harvest Crown timber on Crown lands is allocated through the issuance of timber licences administered under the Crown Timber Act by the Ministry of Natural Resources. The primary objective of the licensing system is to conserve the forest resources of the Province while still endeavouring to ensure security of supply of wood fibre to the processing mills. There are four primary types of licences:

1. Forest Management Agreements
2. Licences issued by Order in Council
3. Third party licences
4. District cutting licences

The Ministry has the personnel and systems in place to determine how much wood is cut under each license each month, who cut it and the identity of the processor (the mill) to which it was delivered. The Timber Sales Branch of the Ministry of Natural Resources invoices the licensee for the stumpage, i.e. the Crown dues on this wood each month.

Where a primary licensee has timber surplus to his requirements a third party licence may be issued to another party for harvesting some of the excess. Such third party licences require the Minister's consent and a subsequent licence is issued for harvesting.

The purpose of the district cutting licences (DCL) is to provide local residents with authority to obtain wood from Crown lands for smaller commercial operations or for their own use for firewood. District cutting licences are statutorily limited to an area of 65 hectares, and are only given for one year, for a total stumpage value not to exceed $2,000. Currently, about 2300 DCL permits for harvesting roundwood and firewood are issued annually, and about 7000 permits are issued for cutting small volumes of firewood for personal use.

DCLs are issued by the Ministry's district offices and payment of Crown dues under DCLs must be made in advance or secured by guarantee of payment.

The Crown timber dues are levied on and collected from the license holders on Crown lands. In 1987, the Ministry collected approximately $70 million in such stumpage charges.

The Organization of the Timber Harvesting Operation

Logging operations on Crown lands in the province are carried out by licensees, logging contractors and contract workers. Some of these participants may have employees involved in the harvesting work and some may contract out some or all of their harvesting work to private firms.

Licensees -

Usually, at the top of the chain of participants is a processor of wood fibre - a corporation operating a sawmill, a veneer mill or a pulp mill - which will have a license from the Ministry of Natural Resources to harvest trees from Crown lands. The Ministry, with the approval of the licensee, may grant some third party licences to others on the licensed territories. Some licensees do not process the wood fibre but confine their activities to harvesting the trees or contracting with other firms to do so.

Logging contractors -

There are a considerable number of firms operating in the province as logging contractors. They may have a license themselves but many do not and merely enter into contracts with licensees to harvest the trees. Some contractors (and some licensees) perform the harvesting operation with their own employees but many merely let sub-contracts to other contractors or to small

firms of "contract workers". A very large part of the organization of the harvesting work is carried out by the logging contractors.

Contract workers -

A significant but decreasing part of the harvesting work is performed by employees of licensees or by employees of logging contractors. Most of them are paid on a piece work basis or at an hourly rate plus a production bonus. The greater part of the "hands on" harvesting work, however, is performed by small firms consisting of only two or three individuals operating under a loose partnership arrangement or within a small corporation in which all the personnel actually work at the harvesting tasks.

These small firms take contracts, occasionally directly from the licensees but more often from the logging contractors. For the most part, it is the logging contractors who contract with the processors to supply roundwood and who then organize the harvesting operations and let sub-contracts to the small firms of contract workers.

THE RECOMMENDATIONS OF THE INQUIRY

Introduction

It is unquestionable that logging is a high risk and dangerous industry. We received submissions that the present high rate of the WCB premium assessments is a true reflection of injury levels in the industry and that this can best be addressed through a focus on improving safety education and the quality of training within the industry. We also believe that the procedures for levying assessments should be geared to encourage safer work practices, however, and have endeavoured to emphasise this in the revised assessment procedures and in the experience rating system which we are proposing herein. While we received submissions advocating improvements in accident prevention practices and in safety training, these subjects are, in essence, outside the scope of our present Inquiry.

For us, the question remains: Is the present system used by the WCB to collect the revenue needed to defray the cost of the accidents which occur in the industry, taken together with the present application of the NEER experience rating system, operating in a satisfactory manner?

Based on the concerns which were related to us by members of the industry and arising from our own examination of the difficulties which the WCB is experiencing in assessing and collecting its premium income from the

industry, we have concluded that the answer to this central question is NO! The present system for raising the money to pay the accident costs which occur in the logging industry and the present experience rating system (NEER) are not operating in a satisfactory manner and require fundamental revisions.

Arising out of our Inquiry we have developed a number of recommendations for changes in the present systems and procedures being followed by the WCB in its service to the logging industry. Our two main proposals involve a fundamentally different premium assessment system and a substantially revised experience rating system. In our opinion, these are of the utmost importance. Set out below is a list of our proposals.

1. Rather than raise the funds to defray the costs of personal injury accidents in the logging industry by assessing employers' payrolls, the WCB should assess those who hold licenses on Crown forest lands and those who conduct logging operations on private woodlots. The assessments would be based on the volume of wood cut.

2. That the WCB adopt a quite different experience rating system. It would only include those logging operations conducted with chain saws and skidders. Rather than be applied to individual firms, it would be applied to groups of firms or employees involved in such operations. It would compare the accident cost record of such groups and impose financial sanctions on those which have a poor accident record and reward those which have a good one.

3. We propose the reclassification of log haulers, road builders and mechanical repair operations, to take them out of the logging rate group and place them in those rate groups which correspond to the nature of their operation.

4. To ensure that the owners and executives of corporations in the logging operations who actually work at the harvesting tasks have personal coverage, we propose new rules co-ordinated with the proposed new premium assessment system.

5. To meet the requirements of the proposed new experience rating system, and permit the licencees who would pay the basic WCB premiums to become involved in encouraging safe work practices, we propose some changes in the present WCB reporting procedures.

6. We suggest some revisions in the manner which the WCB allocates its general and administration expenses to the various industry rate groups.

7. We propose a study of the feasibility of the Ministry of Labour and the Ministry of Natural Resources taking a more active role together with the members of the logging industry in monitoring work practices in the industry.

Before discussing these proposals in detail, however, we wish to make it clear that none of them are intended to change the present rules and policies being followed by the WCB with respect to the eligibility of injured workers to obtain compensation benefits.

As previously indicated, the logging industry has become highly fragmented in recent years and this has resulted in a great increase in the number of firms registered with the WCB. But there are also a great many individuals and no doubt some firms which are engaged in logging who are not registered with and who do not pay premiums to the WCB.

Most of these are small operations and because they are not considered by the WCB to be carrying on a business with employees, the Board's rules do not require them to be registered or pay premiums. Nonetheless, there are upwards of 9,000 District Cutting Licenses and firewood permits on Crown lands issued by the Ministry of Natural Resources each year, about 2,500 of them primarily for roundwood and the balance for small quantities of firewood

for personal use. And there are thousands of private land owners (many of them farmers) who perform some "logging" on their own lands.

There is some potential for any person injured in any logging operations to claim benefits under the WCB system no matter what the size of the entity for which he was working or whether or not it had registered with the WCB and paid premiums.

In this report we will propose that there should be specific rules concerning the size of logging operations which will require the payment of WCB premiums - and those which should not. This would be done by establishing a threshold of logging activity based on the annual volume of wood produced and only assessing WCB premiums on all logging above the threshold. We wish to make it clear, however, that (with one exception relating to the personal coverage of owners and executive officers) neither this nor any other of our proposals are intended to change the present WCB rules with respect to eligibility for compensation benefits.

THE PREMIUM ASSESSMENT SYSTEM

The traditional premium assessment system presently used by the WCB in the logging industry (as well as in all other industries) is based on the wages and salaries which firms operating in the industry pay to their employees. It is payroll based.

Early in each calendar year, each firm must file a payroll report with the WCB in which it estimates what its total payroll for all employees will amount to during the year. In addition it converts the total payroll figure to what is termed its assessable payroll by eliminating the total of amounts which will be paid to each employee in excess of the maximum assessable earnings which the WCB has set for that year. (For 1988 the maximum assessable earnings of any employee is $35,100 per annum).

Each year the Actuarial group within the WCB establishes a premium rate for each industry. The rate is set at a figure which when applied to the assessable payrolls of the industry would enable the WCB to receive premiums sufficient to cover the estimated cost of the accidents which are likely to occur in the industry.

Each year every firm in the industry is required to pay premiums to the WCB, initially on its estimate of its assessable payroll, with a subsequent adjustment in respect of its actual payroll related to its earlier estimate.

This traditional assessment system for raising the premium income required by the WCB for the logging industry worked quite well for many years - when most of the firms in the forest industry carried out their own logging with their own employees as a part of their overall lumber or pulp and paper, etc. business. The rapid progression of the "contracting out" of logging operations which has taken place in this industry over the last ten years however, has now made the traditional payroll based assessment system almost unworkable.

Set out below is a table showing the WCB assessment rate in the last several years and also the change in the unfunded liability of the Board's accounts with the industry.

Year	Assessment Rate	Increase in Unfunded Liability ($000)
1980	9.60	(672)
1981	8.30	13,387
1982	8.80	19,759
1983	10.04	26,425
1984	11.54	23,614
1985	11.54	86,628
1986	13.27	36,020
1987	15.12	31,215
1988	16.63	?
1989 (proposed)	18.29	?

At December 31, 1979 the unfunded liability of the logging industry rate group (its accumulated costs in excess of revenues, i.e. its deficit) stood at under $2 million. At December 31, 1987 it had risen to over $238 million.

There are a number of reasons for this. While the number of compensable accidents has been declining slightly, the cost thereof has been rising quite rapidly. Injured workers are off the job and receiving benefits for longer periods.

A most significant reason, however, is that notwithstanding the growth in the unfunded liability in recent years, the WCB has chosen to restrict the size of the annual increases in the logging group's assessment rate. In 1987 the maximum increase in the logging rate was restricted to 14% of the 1986 rate. In 1988 and for 1989 the annual increase has been restricted to 10%. The rationale of the WCB for this restriction on annual rate increase is of course its attempt to respond to the growing concerns of the small logging firms that WCB premium rates are already far too high and that they are unable to recover these costs by increases in their own rates to the wood processors.

The effect of the increasing premium rates already appears to have driven many of the small firms of workers engaged in the harvesting operations to seek their own means of relief. There is some evidence that this is taking

the form of simply not registering with the WCB or under-reporting assessable earnings. Of no doubt greater importance, however, is that the owners of these firms (who usually comprise its only personnel) are simply opting out of the system - which can easily be accomplished under the Board's present rules and procedures.

Under the rules, the owner, partner or executive officer of a firm in the logging industry (or any other industry for that matter) is entitled to elect to be insured under the system and have his firm pay premiums for the coverage or, in the alternative, opt out altogether.

The majority of the owners of these small firms are opting out completely--and paying no premiums. Some of them are electing to be insured at the minimum level the WCB will permit. In 1988 this is three months coverage at $17,550 i.e. an assessable "payroll" of $4,387 at the rate of $16.63 giving rise to a premium of about $730.

While the owner's election to be covered at the minimum level would reduce his lost time compensation allowance if he is injured, the WCB would have to pay all of his medical and rehabilitation costs. Considering that these individuals are engaged in the most hazardous part of the harvesting operations, the premium income received by the WCB, even at today's high rates, could hardly be viewed as an economic underwriting proposition.

Moreover, viewed from the perspective of public policy, one must question a workers compensation system in which a very high percentage of the workers engaged in the most hazardous part of an industry simply opt out of coverage because they believe they cannot afford to pay for it.

And under the present system, combined with the present structure of the logging industry, there appears to be every likelihood that the premium costs will continue to escalate. As more and more of the more highly exposed workers opt out, or take only the bare minimum coverage, the logging industry rate group's premium base will continue to erode. The premium rates will escalate and more of the members of the industry who still perform the more hazardous logging operations with their own employees will be forced to turn them into contract workers, many of whom will then opt out.

Based on the many submissions made to us during the course of our Inquiry and also on our own analysis of the information and statistics available in the WCB records, we have concluded that effective use of the present payroll based assessment system in the logging industry is quite impractical.

One Industry Association which appeared before us suggested a solution. It was based on the WCB expanding its field audit staff and adopting much more aggressive assessment practices. Information could be made available to the audit staff of the WCB by the wood processors to disclose the identity and

the volume of wood cut by each of the firms engaged in the harvesting operations. It was suggested that the WCB could thereby reduce the leakage of premium revenue which is arising because of under reporting.

While such a procedure would be quite expensive to administer, if it was combined with tougher rules concerning persons opting out of the system, it would no doubt enable the WCB to increase the aggregate of its premium assessments. The problem then, however, would be to collect them.

From the many submission made to us, we have reached the conclusion that a very major part of the problem is that the harvesters, many of whom have been turned into small entrepreneurs by their former employers, the wood processors, simply cannot afford to pay the cost of the present level of WCB premiums. And they do not have sufficient market clout to raise the price of their harvesting services to a level which would enable them to do so.

Of course the WCB could take the suggested program one step further. It could become much more aggressive in its audit and assessment practices but also tighten up its present policy and procedures involved in registering small firms and in issuing clearance certificates to the lumber brokers and the wood processors. Such a policy would impose considerable hardship on the harvesting firms and no doubt lead to many more uncollectible assessments. The WCB would not have to forego the revenue however. It could merely begin

to invoke Section 9(3) and section 10 of the Workers' Compensation Act and demand payment of the unpaid premium assessments from the timber broker or the processor whose subcontractor was in default.

No one suggested to us that the WCB should become that aggressive, but we believe that if it were to adopt the first suggestion, this logical extension of it would have to follow.

Needless to say, we do not recommend that the WCB give serious consideration to such a scheme. It could work and it would result in lower premium rates. But it would be extremely disruptive and potentially crippling for many of the small firms in the Logging Industry.

The major reason why we believe that such a "solution" should not be accepted, however, is that we are satisfied that there is another much simpler, fairer and very much less expensive solution easily available.

Based in a large measure on suggestions and information made available to us during the course of our Inquiry, we have developed and now propose the adoption of a new and quite different premium assessment system, specifically for the logging industry.

Rather than attempting to collect a levy on the payrolls of the firms which harvest the trees, we propose the collection of a levy on each cubic meter of wood cut in the forests on Crown lands which are licensed to members of the industry. Subject to some exemptions for small non-commercial cutting licenses, these would be the same volumes of wood on which stumpage fees are collected by the provincial Ministry of Natural Resources.

In the case of wood harvested from private lands, again subject to exemptions for non-commercial operations, the premiums would be collected from the operators of the wood processing mills at a rate per cubic meter of the logs which are purchased from private landowners.

The adoption of such a revised assessment system could be accomplished very easily. The provincial Ministry of Natural Resources already has the procedures and the personnel in place to determine the volume of wood cut by each Crown lands licensee. The Crown forests provide about 85% of Ontario's total timber harvest.

The WCB would only need to set a rate per cubic meter of wood cut and bill the licensee monthly, just as the Ministry does to collect its stumpage dues.

As to the premiums from logging operations on private lands - from which the other 15% of the trees are harvested - the data to enable the WCB to collect these from the wood processors in the province is already being produced.

Processors of roundwood in the province are required to file reports with the Ministry on the volume of wood they purchase from private landowners. The records which the processors must maintain to prepare these reports will reflect the volumes of wood on which the processors would be required to pay premiums to the WCB at the same rates as would apply to the wood cut on Crown lands.

The premium rate to be applied to the volume of wood harvested would be established each year by relating the anticipated cost of accidents in the industry (including the WCB overhead etc.) to the anticipated volume of wood to be cut and delivered.

While our proposal is to collect the WCB premiums on the wood cut on Crown lands on the same volumes and from the same licensees as the stumpage dues are collected, provision could be made to exclude the very small licensees on Crown lands from the system. A great many of these would be individuals who are granted a District Cutting License to cut firewood for their personal use. They and others who have District Cutting Licenses for roundwood or firewood presently pay stumpage dues on the wood allocated to them. Some of the smaller of them could be excluded from the WCB premium assessment system.

The first step would be for the WCB to establish a policy which would dictate the threshold, expressed in terms of the quantity of wood to be harvested or the size of the cutting area, below which persons cutting under a DCL would not pay premiums to the WCB. All holders of DCLs above the threshold could then be brought into the WCB premium assessment system by requiring them to complete the proposed WCB registration form and file it with the regional office of the Ministry of Natural Resources as a condition of and at the time they receive their DCL. Moreover, since many of them will ordinarily pay the total stumpage fee applicable to their DCL to the Ministry at the time the license is issued, they should at the same time also be required to pay to the Ministry (for the account of the WCB) the WCB premium applicable to the same volume of wood. Harvesters who have a number of DCL's could be registered with the WCB and pay their WCB premiums in the same manner as other licensees.

If our proposals are adopted, the licensees who initially pay the premiums to the WCB will no doubt make their own arrangement with their agents and their sub-contractors who do the actual harvesting, relative to the WCB premium levy. This may be done by an adjustment of the contract price paid for the wood cut and delivered. It would be essential to the proper operation of the overall system that the WCB not seek to interfere in any such arrangements between parties involved in the industry.

Wood harvested from privately owned lands

It is estimated that about 15 to 20% of the wood cut in the province for commercial use comes from private lands. The larger privately owned tracts are owned by some of the major wood processors, the railways, the municipalities and some mining corporations. We understand that smaller tracts are owned by individuals, including a very large number of farmers.

No doubt, a large proportion of such land is owned by entities who fall under Schedule 2 of the Act. Schedule 2 enterprises do not pay premiums to the WCB. Instead, employees of such enterprises who are injured in the course of their work are compensated in the same manner as employees of Schedule 1 enterprises. The actual cost of such compensation is then billed to the Schedule 2 employer.

Some Schedule 2 enterprises which own forest lands perform some of their own logging operations. Others contract this work to outside firms. We believe that the best way to deal with injuries sustained in the logging industry on privately owned lands would be to dispense with the Schedule 2 concept for this industry. We would collect the premium levy on all wood cut and have the cost of injuries which occur on lands owned by Schedule 2 enterprises charged against the total pool of premium revenues.

The Ministry of Natural Resources does not keep the same record of wood harvested from private lands as it maintains for the harvest from Crown lands

(it does not levy and collect stumpage dues from the former). All of the major processors of wood fibre are presently required to submit an annual report of their purchases of wood fibre from private lands, however. These reports and the data from which they are prepared would no doubt be available to assist in the follow-up and audit of the process of collecting WCB premiums from the private sector logging operations.

The system we propose would require that private land owners who harvest or hire employees or contract with others to harvest timber from their own lands (at a level above a threshold to be established) be included in the overall logging rate group for premium assessment purposes. The threshold would be set sufficiently high to exclude harvesting on small private woodlots.

The WCB premiums on wood from private lands will be calculated at the time the wood is delivered to the processor who purchases it at the same rates as apply to timber from Crown lands. The processor will be responsible to calculate the premiums applicable to such wood and remit this amount to the WCB. Moreover, the processor will also be responsible to obtain a completed WCB registration form from the vendor of the wood and file it with the WCB.

The Rationale for a Different Premium Assessment System

We believe that it is no longer practical to apply the present payroll based premium assessment system to the logging industry. Because the industry has

become so highly fragmented in recent years, a large number of the workers in it do not receive salaries or wages. Of the total of 1330 firms registered in the experience rating scheme for the industry in 1986, 1069 of them consisted of only two people and a further 120 consisted of only three to five people - all of them hands on workers in the bush and most engaged in the higher risk harvesting tasks.

These operating personnel - almost all of whom are owners of these small firms - are not paid a wage or salary on which the WCB could levy a premium under its traditional assessment procedures. Instead they cause their firms to enter into a contract with a timber broker or directly with a wood processor to fell and skid and delimb trees.

The WCB has been attempting to collect its premiums from each of the many very small firms and from the less than 100 larger ones which actually perform their own harvesting operations in the bush. Many of the small firms are characterised by inferior or non-existent record-keeping, under reporting or no reporting of income or payrolls and very high mobility of their owners. And the opportunities for their owner-operators to completely opt out of any WCB coverage and/or to obtain coverage with the payment of relatively nominal premiums are legion.

Under our proposed premium assessment system, we would collect the WCB premiums from the processors and the brokers who hold the cutting licences and who hire or contract with the harvester workers. And all of the workers in the bush, whether employees or contract workers, would be insured. But it would be left to each firm in the industry to determine by means of their own contracts how the overall WCB premium costs are shared.

We would merely turn the assessment system around. We would collect from the relatively few firms at the top, i.e. from the principals who are letting the contracts, rather than continue to attempt to collect from the hundreds of very small firms at the bottom. Entirely aside from the much greater efficiency of the proposed premium assessment system from the standpoint of the WCB, we think it proper to allow market forces to determine how the premium costs should be shared among the members of the industry. Moreover, we believe that in this industry the market forces are likely to operate more fairly and effectively if the industry can be confident that the personnel of all of its members are insured and all are bearing a share of the cost.

Under the proposed new system the task of administering assessments and collecting premiums would be very much simpler, cheaper and more effective. The need to rely on the secondary liability imposed by Section 10 and Section 9(3) of the Act on persons who contract out the harvesting tasks to others would disappear. As a result, the present cumbersome procedure of issuing

clearance certificates (the WCB presently issues over 100,000 of these a year) would be eliminated and funds could flow more freely to the small harvester firms. Moreover, since non-reporting, under reporting and manipulation of the system would effectively be eliminated, every member of the industry would have to absorb a fair share of the cost of work related accidents.

We believe that under the proposed system the WCB would no longer need to be seriously concerned about the effect of its premium levy on the over one thousand small firms which now perform a large part of the more hazardous tree harvesting operations. This will give the WCB greater freedom to move more quickly to reduce the substantial unfunded liability which has developed in the Board's accounts with the logging industry in recent years.

EXPERIENCE RATING

Our second main recommendation results from our belief that the present experience rating system (NEER) which the WCB applies to a number of different industries, is not appropriate for the logging industry.

This should not be construed as a criticism of the present NEER system. Rather, it reflects our conclusion that the present system needs substantial revision in its form and in the manner of its application if it is to achieve its objectives in this industry.

Here again, the problem arises out of the present diverse structure of the logging industry. In it we have hundreds of small firms engaged in the more hazardous aspects of tree harvesting and a relatively few larger firms many of which perform relatively little of this more hazardous work with their own personnel. In our opinion, the normal application of the present NEER system to every firm in the industry without regard to the type of operation they perform produces a distorted, if not unfair, result and does little to achieve the basic objective of an experience rating system.

That objective, of course, is to influence members of the industry to adopt and maintain safer work practice.

We have a number of concerns with the present NEER system. Not the least of these is that it is so complicated that it is very difficult to explain or understand. Of greater concern is the fact that in order to apply it to the logging industry the system has been watered down to the extent that its potential for influencing the conduct of the many small firms engaged in the most hazardous part of the logging operation is negligible.

Another serious concern is that the major effect of the present NEER system may simply be to assist the large highly mechanized firms in the industry to pay less than their fair share of the cost of the accidents incurred. We believe that this is happening, in part at least, because the present NEER system is biased in favour of the industry's more highly mechanized members.

Some might claim that the NEER system should continue to be biased in favour of the highly mechanized members of the industry - because they have the best accident record. We believe that this would not be fair to a significant and necessary segment of the logging industry however, nor is it a program which the WCB should wish to retain.

It is estimated that about 20% of the wood which is presently harvested, is

cut by chainsaw and hauled out of the bush by skidder. Much of this wood grows in rough and difficult to get at locations. We are advised that efficient management of our forest resource dictates that this wood should be harvested and thus, the present harvesting methods will likely continue to prevail. The risk of personal injury accidents is significantly higher in this part of the harvesting operations. But it can be reduced by proper training of personnel and by providing them with an incentive (over and above concern for their own personal safety) to maintain safer work practices. The revised experience rating system which we propose herein attempts to do this.

The present NEER system does not. First, because it is applied to each individual firm in the industry - the great majority of them only operating chain saws and skidders and so small in size that the effect of a single accident could be crippling. This has necessitated watering down the penalties and rewards which are the basis of any experience rating system, to a level which is unlikely to influence any of the small participants to adopt safer work practices.

A second problem with the present system is that the changes which have been made in it to limit its negative impact on the small firms have resulted in it becoming so complicated that few can understand it. Allied to this is a third problem. This is the present practice of rewarding every firm whose accident record is above average and penalizing every firm which has a record

worse that the average. We are informed that refunds or surcharges are often made in merely nominal amounts.

In the revised experience rating system which we have proposed herein it is intended to dispose of all three of these problems. Rather than apply the system to each individual firm, we would place the firms working for the same contractor together with him in a group or experience rating unit. And we would assess the accident performance of each such group or unit. This will mitigate a potential crippling impact on a single small firm and will also add a useful element of peer pressure.

In the new system we would propose to neither penalize or reward groups of firms whose accident records are within, say 15 % of average. This would leave more meaningful sums available to the remaining participants and we believe that the system will be much easier to explain and to understand.

The proposed experience rating system will be quite independent of the proposed new premium assessment system. Some of the revisions in it which we have proposed herein could easily be made to the present NEER system. To do only this, however, would not, in our opinion, do away with the most objectionable feature of the present system - its major bias in favour of the large members of the forest industry and its bias against the small "worker" firms (whose emergence the larger firms have sponsored).

We have listened to representations that the logging industry should be subdivided into two rate groups. One containing the high risk chain saw - skidder operations, the other containing the safer, more highly mechanized operations. Why, it is asked, should those firms which have mechanized their operations be required to pay the accident costs of those who have failed to do so.

In fact, the present NEER system operated by the WCB goes some distance to respond to this concern. It has a strong tendency to provide refunds of premiums to the highly mechanized firms at the expense of the smaller less mechanized ones.

We do not believe that it should continue to do so. First, because the chain saw - skidder harvesting operations are an essential part of the harvesting operations in our forests and are unlikely to become more highly mechanized. Our second reason is perhaps a more philosophical one.

We base this on the fact that by far the largest volume of wood which is consumed by the forest products industry comes from Crown land. This part of the industry's basic raw material supply is a public resource. And we think it reasonable that those who are licensed to exploit it should pay this essential element of the cost of obtaining it - the cost of the accidents incurred in harvesting it.

The fact that the overall accident costs are not being paid under the combination of the present payroll based assessment system and the present NEER system, is clearly demonstrated by the $238 million unfunded liability of the logging industry which has been accumulated in the last eight years.

It does not seem proper to us that the large consumers of our forest resources should be permitted to take advantage of the manner in which they have organized the logging part of the industry to avoid paying their fair share of this cost.

Our specific proposals for experience rating in the logging industry are as follows:

(i) The system will only rate the performance of groups of workers who fell and delimb trees with chainsaws and skid them to the loading sites in the forest lands.

All other harvesting work including felling with feller bunchers, timberjacks, etc; delimbing with delimbers, slashing, loading logs on trucks, etc., will not be included in this experience rating program.

Where a firm is involved in logging activities with both mechanized equipment and chainsaws and skidders, only the employees operating the latter type of equipment would be included in the experience rating unit.

Employees or contract worker firms may work in more than one unit i.e. for more than one employer or contractor in a calendar year. The system will accommodate this however since it will rate the accident performance of the employer or contractor and his workers for the year even though there may be changes in his worker group during the year.

(ii) The system will compare the accident performance of operating units of not less than say, 10 individuals who work at the foregoing harvesting tasks.

Each unit will ordinarily consist of only the employer or contractor and his (harvester) workers. Units will not include more than one employer or contractor unless it is necessary to include more than one in order to put together a unit of 10 or more workers.

Each unit will ordinarily consist of all of the employees or contract workers who work for and/or have taken a contract from a single employer or contractor. Many such units will then likely be larger than 10 workers.

However, in order to make the size of the potential surcharge or award more meaningful, the system we propose will work best if all of the experience rating units include approximately the same number of workers. Some employers or contractors may have a large number of employees or contract workers, some perhaps working in widely dispersed locations, and this may make it desirable to form more than one experience rating unit under a single employer or contractor. But the need to have units of comparable size may in itself dictate that a single firm or contractor group be separated into more than one experience rating unit.

Each employer and each contractor will be required to submit a report to the WCB setting out the number of its employees and/or the identity and numbers of personnel of the contract worker firms to whom it has let contracts for the year. This report must be filed early in each calendar year in order to enable the WCB to group the workers in the industry into experience rating units. It will be recognized that the personnel of a unit may change during the year but the WCB will not require notice of such changes. Until the WCB receives these reports it will not be able to estimate the number of workers who will be involved in the system nor will it be able to allocate firms or groups of employees to the experience rating units.

(iii) The WCB will assign a registration number to each leader of an experience rating unit. It will accumulate the cost, including the estimated future cost, of all accidents which occur to the personnel of each unit each year. The sum of these costs will be divided by the output of each unit for the year (expressed in cubic meters of wood) to establish an accident experience ratio for the unit for the year.

(iv) Not later than July 31 in each calendar year the WCB will announce a scale of awards and surcharges which will be paid to or assessed against the employer/contractor leader of each experience rating unit for the previous year. The amounts will be related to the number of employees and personnel of the contract worker units and will probably range between $200 to $500 per person in the unit. The surcharges will be collected from the units whose accident cost ratio is worse than that of the median unit and the total of the surcharge assessments will be distributed to the units whose accident cost ratio is better than that of the median unit. The experience rating units will receive quarterly reports showing an estimate of their accident costs each year. As is presently the case, the actual assessment of surcharges and payment of awards in respect of each year's relative accident cost ratios will not be made until the latter part of the next calendar year.

Depending on a number of factors such as the size of the units, the number of units and their accident cost ratios, the WCB might elect in any year to exclude a number of the units whose accident cost ratio is close to that of the median unit. This might be done to make the amounts of the awards or surcharges more meaningful and also to avoid the possibility of firms whose accident cost ratios are very close to that of the median firm being materially affected by a very minor difference in their ratios.

We believe that, if adopted for the logging industry, our proposed revisions in the present NEER system would eliminate the bias in the present system which favours the firms which have largely contracted out their chainsaw and skidder operations and provide the industry with more meaningful financial incentives to adopt and maintain safer work practices.

Moreover, we would hope that at least some of the licencees (who would be obligated to pay the basic WCB premiums) would wish to launch their own programs to encourage safer work practices in the more hazardous aspects of logging operations. Any of them could chose to do this by writing monitoring provisions in the contracts they let to the loggers for the supply of round wood. In addition, they could set up their own programs to supplement the awards which the WCB would be directing to the experience rating units with the better accident records.

All of the reports (including the accident reports) which the WCB will require from the logging firms could easily be made available for this purpose to those responsible for paying the WCB premiums.

Consideration might be given to establishing a second and parallel NEER system for the firms engaged in mechanized harvesting operations which would not qualify for the system proposed above. We question whether this is either practical or necessary however.

In highly mechanized logging operations firms will likely own or lease the major pieces of equipment and will operate them with their own employees under fairly intense supervision. Moreover, the design of the equipment will go a considerable way to protect its operator from personal injury.

It is doubtful therefore that a NEER system of the kind proposed herein would have a significant effect in motivating firms whose harvesting operations are highly mechanized to place greater emphasis on safety measures than they would ordinarily do in any event.

RECLASSIFICATION OF LOG HAULERS, ROAD BUILDERS AND MECHANICAL REPAIR OPERATIONS

Log Haulers -

During the course of our Inquiry we received a great many submissions on the subject of the classification of log haulers in the Board's rate structure.

The present classification and assessment practises in the logging industry are different from other industries in that ancillary activities such as the haulage of logs, and road building are specifically included by the regulations within the logging rate, regardless of whether such work is performed by the workers of the logging principal or by independent companies. This is in contrast to classification practises in other industries, in which independent firms are classified in accordance with the industry they are engaged in.

We recognize that there are arguments for and against allocating the logging rate to log haulers. It is argued that log hauling is different in nature from general hauling, and it probably has a higher accident potential. In particular, it is argued that loads are susceptible to shifting, and that there are additional risks because much of the travel takes place on logging roads. Moreover, it is indisputable that log haulage is an integral part of the industry, given the necessity of moving logs to the mill. However, there

are equally strong arguments against including log haulage within the logging rate. Many truckers now spend a considerable period of their time upon public highways, given the increasing distance between logging sites and mills. And many log haulers frequently have other freight.

The present policy of the Board with respect to log hauling requires the segregation or pro-rating of payroll for companies hauling products other than logs. A number of persons expressed the opinion that the Board's practises on pro-rating of payroll for log haulers was unfair, and applied in an inconsistent and unpredictable manner.

Many log haulers suggested to the Inquiry that a logical reason for removing the log haulers from the logging rate group is that they enjoy a significantly lower accident experience than the rest of the logging industry. Subject to the fact that log haulers are too small statistically to reliably estimate their experience, we were provided with statistics by the Board which indeed suggested the contrary: that the accident experience of log haulers is <u>average</u> for the logging industry. While this weakens the argument for a separate rate group for the log haulers, it also suggests that the removal of log haulers from the logging rate group will not significantly affect the rate. We have considered the establishment of a separate rate for log haulers, but rejected it as impractical, given the small size of the group.

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In our view, the arguments for and against transferring the log haulers from the logging groups are evenly balanced. On the one hand, the regulations may be seen as a deviation from the general principles governing the classification of industries. On the other hand, log haulage can be seen to be an integral part of the logging industry, and subject to risks and conditions somewhat different from other haulers. On balance, however, we favour removal of the haulage of logs from the logging rate group and the transfer of this activity to the general trucking rate group.

Where a firm engaged in logging performs log hauling with its own employees we recommend that its hauling payroll should be segregated and assessed at the trucking rate group.

Gravel haulers and road-builders-

Since 1961, road construction and ancillary activities such as gravel hauling, on timber limits, have been classified at the logging rate. This raises issues similar to those of the classification of the log haulers. Such operations are classified at the logging rate, regardless of whether they are performed by the workers of the license holder, or logging contractor, or by an independent road construction or haulage company. We have heard a number of complaints in relation to inconsistency in the Board's pro-rating policy with respect to such enterprises. The Board's

policy is that companies carrying out road construction will be assessed under two assessment rates, the logging rate of $16.63 and the road construction rate of $8.14, provided they have clearly segregated payroll for the two operations. Custom haulage of gravel is covered under the general trucking rate of $6.49.

We feel that the foregoing arguments in favour of log haulers are equally applicable to independent firms engaged in construction and haulage, and we therefore recommend that such firms be transferred to the appropriate rate group for that industry. Where a firm is engaged in logging and performs road-building including gravel hauling with its own employees however, we believe that, unlike our proposal that such a firm's log hauler payrolls be segregated and assessed at the trucking rate, there should be no requirement to segregate or pro-rate its roadbuilding payrolls to include them in the road-building or gravel haulage rate groups. Our reason for this approach stems from the practise of the logging companies to frequently use their logging personnel and their logging equipment to build much of the road system in the forests.

Mechanical repair shops-

It was brought to our attention that there are a number of mechanical repair shops operated by firms which are engaged in the logging industry and which

carry out repairs on their owners' logging equipment and also do such work for public customers. Concerns have been expressed to us that the Board is inconsistent in the application of its policies on pro-rating payroll in such circumstances. Some operators pointed out that this has sometimes given an unfair competitive advantage to other mechanical repair shops whose owners are not associated with the logging industry and therefore pay the considerably lower premium rate applicable to the mechanical repair rate group.

We recommend that all mechanical repair shops owned by persons who are members of the logging industry be required to allocate their payrolls involved in performing work for persons unrelated to their owner to the mechanical repair rate group and pay WCB premiums thereon at the rate applicable to that rate group.

PERSONAL COVERAGE OF EXECUTIVES

Because the contracting out policy adopted by many of the large processors has resulted in the creation of hundreds of small independent firms, many workers have become owners or executive officers and have opted out or only taken limited coverage under the WCB system. As a result, many "hands on" workers in the industry presently have no WCB coverage whatsoever. Moreover, this has also resulted in a significant reduction in the WCB premiums assessed in respect of this whole group of workers without a commensurate reduction in the cost incurred by the WCB to cover accidents which befall them.

Perhaps the principal reason for executives of these small corporations electing to opt out of Workers' Compensation coverage has been to minimize their cost of the WCB premiums. Under the new proposals put forward herein, scarcely any of these small firms will pay any premiums directly. (Although some of them will no doubt pay some of the premium costs indirectly as these are passed down from the Crown licensees). As a result, very few of the owners of these small firms will elect to opt out and will therefore automatically be covered. The remaining question then will be the amount of this coverage.

In order to establish a base for their compensation if they should become entitled to WCB benefits, we suggest that all owners, partners and executive officers of firms in the logging industry who do not elect to opt out of all WCB coverage be deemed to be covered at one half of the maximum assessable payroll amount in each year. Consideration could also be given to permitting the persons so covered to purchase additional coverage at a rate which the WCB would set from time to time.

CHANGES IN ADMINISTRATIVE PROCEDURES REQUIRED TO ADOPT THE PROPOSED VOLUME BASED ASSESSMENT SYSTEM AND THE REVISED EXPERIENCE RATING SYSTEM

In order to make the overall system proposed herein work effectively, there will be a need for a revised reporting procedure which would enable the WCB and also those responsible for paying the premiums to identify the workers who are eligible to receive accident benefits and also enable the WCB to allocate the workers or their firms to experience rating units.

Changes in Registration and Annual Reporting Procedures -

The major changes which we propose in the WCB system for the logging industry primarily relate to the assessment and collection of the premium income and to the requirements of the proposed experience rating system. To collect its premium revenues under the proposed system, the WCB will only have to deal with and collect premiums from a much smaller number of the enterprises in the industry. For premium purposes the WCB will deal only with the major licensees and sub-licensees operating on Crown lands and with the wood processors (the mills) which purchase roundwood from private forest land owners who harvest trees on a commercial scale.

The WCB presently registers more than 2,000 individual firms in the logging industry. Some of these are inactive and its records do not disclose hov many of these firms operate on Crown lands or on private lands. We would expect that the great majority of them would harvest exclusively from Crown lands however.

If the proposal set out herein for assessing and collecting premiums had been in effect in 1988, we estimate that the WCB would have only had to collect premiums from less than 350 firms harvesting on Crown lands. This includes the 250 larger licensees registered under the Ministry of Natural Resources system and an estimate of 100 holders of DCLs who might harvest an amount of timber higher than the threshold referred to earlier in this Report.

Absent a policy decision on the threshold (for premium assessment purposes) to be set for harvesting on Crown lands, this estimate of 100 holders of DCL's who operate on a commercial basis may be quite incorrect. The proposed system is so simple from an administrative standpoint, however, that a much larger number of firms can be included in the system with little increase in administrative costs.

With respect to the wood harvested from private lands, the WCB would be collecting premiums from the processors who purchase such wood rather than from the private landowners and their contractors who presently elect to

register their tree harvesting operations with the WCB. Information provided by the Ministry of Natural Resources indicates that there were about 800 processors operating in the Province in 1986. We are unable to compare this number with the number of private landowner vendors of such wood nor with the number of such vendors who chose to register with the WCB and pay premiums to it.

In order to identify certain of the individuals who are eligible for coverage (owners, partners and executive officers of logging firms) and establish the level of benefits to which they might become entitled however the WCB will require a report each year from each firm in the logging industry. This report should also show the number of workers in the firm, who the firm has a contract(s) with, i.e. who it is working for, and who, if any, it has let contracts to.

The licensees or contractors for whom every enterprise is conducting harvesting operations however should also require detailed payroll reports from every such enterprise. It is the licensees or contractors who organize the harvesting operations and who let sub-contracts to the firms performing the harvesting work and they will likely wish to know the identities of all personnel doing the work on these subcontracts and the nature of the work each individual person is performing. This detailed information should be made available to these organizers because it is they who directly or indirectly will be paying the WCB premium costs. Moreover, most of them will

likely be involved in the proposed experience rating system and will be directly affected by the cost of compensable accidents which occur to the personnel of their sub-contractors.

In order to carry out its own administrative role under the proposed system the WCB will not need any other form of "payroll" report from any of the "contract worker" firms in the industry - until a compensable accident occurs. At that time the WCB will need to satisfy itself that the injured person is entitled to benefits under the system and on the level of his renumeration which qualifies for WCB benefits.

The WCB could elect to merely rely on the information collected and maintained by the licensees and their contractors to show who is "insured" under the system and the level of the earnings of an injured person on which his WCB benefits should be based. Alternatively, the WCB could insist that it receive and maintain its own copies of the personnel reports which the contract worker firms file with their own principals.

Under its present system (except in the case of owners and executives who opt for personal coverage) the WCB does not obtain this detailed personnel information, i.e. it does not keep a record of who is insured - until an accident occurs. We recommend, however, that as a minimum, the WCB be involved in the process of ensuring that the detailed personnel reports are

obtained by the licensees and their contractors in the proper form. The WCB could then elect whether or not to require that copies of these reports should be filed with it by the licensees and their contractors. If they are filed they should not be recorded in any detailed manner in the WCB records but merely be retained under the licensee or contractor registration number for reference when a compensable injury occurs to an insured worker.

Accident reports -

As is presently the case, the present form of accident report must be completed and filed with the WCB by the firms registered with it in respect of injuries to its own workers. A copy of the accident report should be filed with the contractor or licensee, if any, for whom the firm is harvesting on a contract basis. Moreover a copy of the accident report should also be filed with the licensee of the Crown lands where the accident occurred.

We believe that the present form of accident report should continue to be used but that the obligation to ensure that it is completed and filed with the WCB, the contractor(s) and the licensee involved should be placed jointly on the "contract worker" firm which "employed" the injured person and on the licensee or contractor who engaged the "contract worker".

This joint obligation to file the accident report should not be permitted to delay its receipt by the WCB. However, the fairness and efficiency of the proposed premium assessment system and the proposed experience rating system will require that the licensee who pays the WCB premiums for the wood and the licensee or contractor, who heads up the experience rating unit which will be financially affected by the cost of the accident, be fully informed of the circumstances surrounding it.

ALLOCATION OF ADMINISTRATION COSTS TO INDUSTRY RATE GROUPS

The WCB presently follows the practice of allocating the cost of administering the WCB system to the industry rate groups based on their accident record. The total of each industry's medical costs and compensation benefits related to the total of such costs for all industries determines the share of the total administration cost which is allocated to each industry in setting its assessment rate.

A cursory analysis of the WCB administration costs would indicate that about one half of the total expenditures of about $250 million spent in each year represents the cost of administering claims and compensation benefits and defraying the costs of the various industry safety associations. The other half of the total would appear to represent the administrative and general costs of operating the WCB system for the benefit of all employers and employees it covers.

Accounting theory does not offer any precise rules for the allocation of administrative and general overhead costs. It could be fairly argued that even some part of the cost of operating the WCB claims departments should be allocated to all of the industry rate groups on some basis other than their accident costs. As to the general administrative overhead, however, we think that the use of the present accident cost basis should be reconsidered.

We believe that a fairer method of allocating general overhead would be on the basis of the number of employees in each rate group or even on their respective assessable wages.

Such a change in the basis of allocating the administration costs will of course transfer costs which are presently being borne by the industry groups with the higher than average incidence of accidents (and the high assessment rates) to the groups with the lower than average incidence of accidents (and the low assessment rates). On the very low rate groups where the assessment rate is under $1.00 per $100.00 of assessable payroll, such a change in the allocation of administration costs could produce an increase in the assessment rates running from 9 to 13 cents. On a percentage basis this could appear to be a dramatic increase in the assessment rates of these groups. In terms of the increase in their total premium cost however the impact should not be very large.

The WCB does not have detailed statistics as to the number of employees in each industry presently covered under its system. Neither does it have the number of employees covered or the assessable payroll figures for the Schedule 2 industries (public utilities, airlines, railroads, civil servants etc.).

However, it is possible to make a rough calculation of what the effect on the logging industry would have been in 1987 of allocating one half of the total administration costs on the present accident cost basis and allocating the other half of the administration costs on the basis of assessable payrolls. Such a calculation would indicate that there could have been a reduction in the administration cost content of the 1987 logging rate of about 85 cents.

MONITORING WORK PRACTICES IN THE LOGGING INDUSTRY

Even though it is outside the terms of reference of our Inquiry, we should like to comment on the subject of the monitoring of work practices in the logging industry.

Again, because of the fragmentation of the industry, a very considerable part of the most hazardous harvesting operations are being performed by very small firms. Most of them have no employees and usually consist of two owners or partners who have taken a contract to fell and skid the trees. Usually no one monitors their work and their income will be entirely dependent on the volume of their production. Much of this work is done on the rougher ground in the forest where mechanical harvesters cannot operate.

Our proposed revisions to the NEER system operated by the WCB are designed to improve its effectiveness in promoting safer work practices. But our discussions with officials of the Forest Products Accident Prevention Association (FPAPA) and with officials in the Ministry of Labour and the Ministry of Natural Resources, and our own observations in our field trips of the circumstances under which some of the harvesting is conducted, all suggest to us that some further independent monitoring of work practices in the logging industry would be worthwhile.

The officers and staff of FPAPA are very knowledgeable and dedicated in their efforts to reduce personal injury accidents in the logging industry. The

budget of FPAPA is only slightly more than $3 million per annum however. The size of its territory and the number of personnel involved in the industry necessarily restricts its activities to the development of safety courses, the conduct of safety training seminars and the monitoring of accident statistics in the industry.

The Occupational Health and Safety Division of the Ministry of Labour (OHSD) presently has the direct responsibility to inspect and monitor safety practices in the logging industry--and also every other industry in the Province. It has a serious interest in carrying out this responsibility but in view of the organization of the industry and particularly its geography, OHSA has neither the trained personnel or the budget to carry out an effective monitoring role.

Until 1971 when the Loggers Safety Act was amended, officials of the Ministry of Lands and Forests (now the Ministry of Natural Resources) were responsible for monitoring safety practices in the logging industry. The responsibility was then transferred to the Ministry of Labour but it appears that the latter was not given the budget to train the personnel and carry out the function.

While we confess to having no special knowledge of this matter whatsoever, we have formed the opinion that some provisions should be made for the on site monitoring of the work practices of the large group of front line tree harvesters in our forests. These workers are all working under contract or

on piece work and the work is very often performed under adverse climatic conditions on difficult terrain. And accidents occur, in part at least, because some workers will run risks they should avoid because they are trying to maximize their incomes.

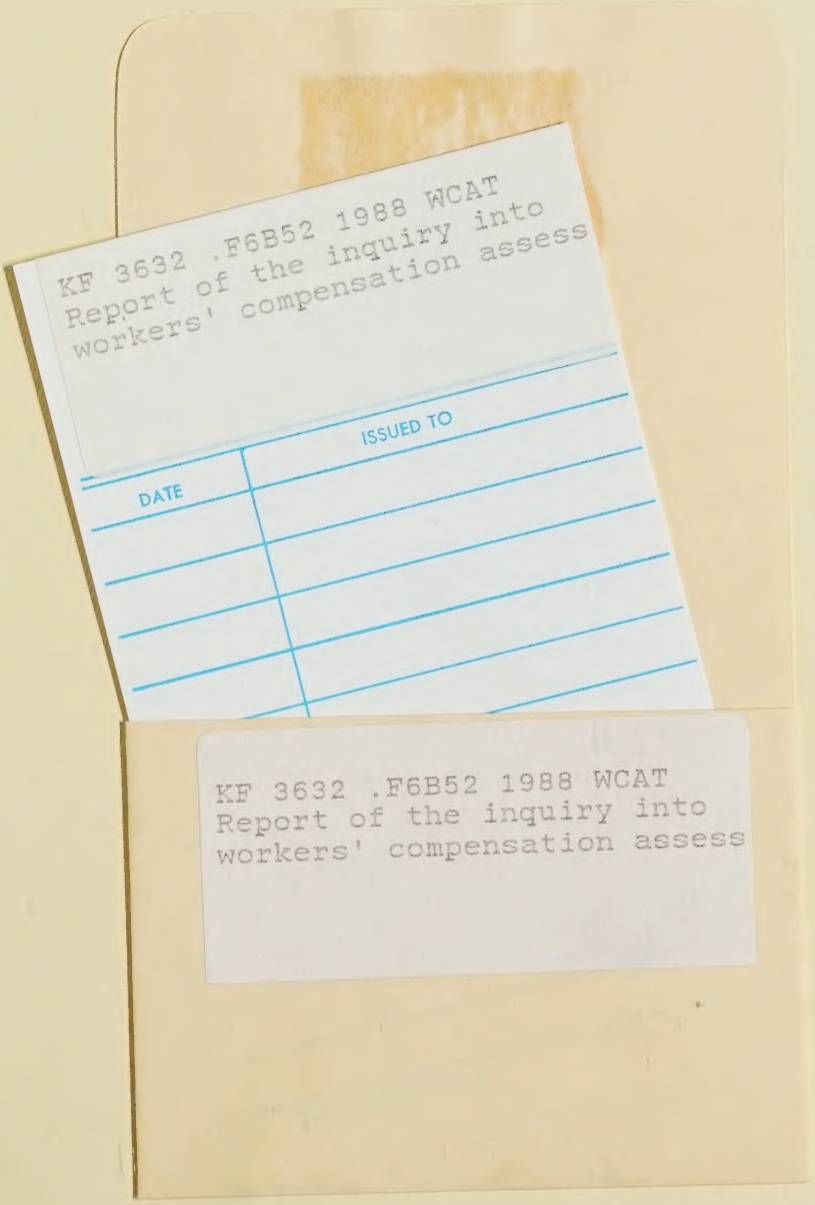
One factor which struck us is that the Ministry of Natural Resources at all times has a great many personnel engaged in various occupations in the forests where the logging operations are being carried out. Most of these people would have the knowledge and experience to recognize unsafe work practices in logging operations. We wondered if, in some manner, some of them might become directly involved at least part time in accident prevention by being given some responsibility for monitoring the work practices in the more hazardous tree harvesting operations.

Because this subject is not within our terms of reference we have not pursued it beyond some very tentative conversations with persons in FPAPA, OHSD, The Ministry of Labour and the Ministry of Natural Resources with whom we were dealing on other matters. Neither have we discussed it with representatives of the major holders of licenses to harvest timber on Crown lands in the province who might wish to become involved in such monitoring activity. We believe that this subject warrants further investigation however.

Respectfully submitted;

John L. Biddell

Clifton Pilkey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